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IRS Issues Winter 2006-2007 Statistics of Income Bulletin

IR-2007-55, March 12, 2007

WASHINGTON — The Internal Revenue Service today announced the release of the Winter 2006-2007 issue of the Statistics of Income Bulletin. Highlights include articles on individual income taxes, split-interest trusts and tax-exempt organizations.

Preliminary data for tax year 2005 indicate that taxpayers filed 134.5 million U.S. individual income tax returns, an increase of 1.6 percent from the preliminary estimate of 132.4 million returns filed for tax year 2004. Adjusted gross income (AGI) increased by 8.9 percent from the previous year to \$7.4 trillion for 2005 and taxable income increased 9.5 percent to \$5.1 trillion. The alternative minimum tax rose 31.6 percent to \$15.9 billion, while total income tax increased 11.8 percent to \$928.3 billion. Other notable changes were: net capital gains, the second largest component of adjusted gross income, rose by 36.7 percent to \$604.4 billion; statutory adjustments to total income increased 10.2 percent, from \$94.5 billion to \$104.2 billion; total deductions increased 8.4 percent to \$1,665.6 billion; and total tax credits used to offset income tax liabilities increased 5.7 percent to \$54.3 billion. The total earned income credit, including the refundable portion, increased 6.1 percent to \$43.1 billion for tax year 2005.

In addition, the Bulletin contains articles with the following information:

- For tax year 2004, taxpayers filed 132.2 million returns, of which 89.1 million (or 67.4 percent) were classified as taxable returns. This represents an increase of 0.2 percent in the number of taxable returns from tax year 2003. Adjusted gross income (AGI) on these taxable returns rose 9.0 percent to \$6,266 billion, while total income tax showed the first increase in 4 years, rising 11.2 percent. Also for the first time in 4 years, the average tax rate for taxable returns rose, increasing 0.3 percentage points to 13.3 percent for 2004. Taxpayers with an AGI of at least \$328,049, the top 1 percent of taxpayers, accounted for 19 percent of total AGI, representing an increase in income share of 2.2 percentage points from the previous year. These taxpayers accounted for 36.9 percent of the total income tax reported, an increase from 34.3 percent in 2003.
- In filing year 2005, some 124,292 Split-Interest Trust Information Returns (Form 5227) were filed, an increase of 0.8 percent from filing year 2004. Charitable remainder unitrusts continued to be the most common trust type, increasing by 1.6 percent, or 1,450 returns, between 2004 and 2005. Charitable lead trust filings increased the most, 9 percent, to 6,168 in 2005. The number of returns filed for charitable remainder annuity trusts decreased by 4.2 percent between 2004 and 2005. Total net income reported for charitable remainder trusts (CRTs) increased by 67.4 percent from 2004 to 2005, primarily due to an exceptionally large increase in the value of capital gains

reported in 2005. Total net capital gains reported for CRTs increased by 119.2 percent from filing year 2004 to filing year 2005.

- During calendar years 2004 and 2005, tax-exempt organizations filed an estimated 36,064 Forms 990-T, Exempt Organization Business Income Tax Return, for tax year 2003, ending a 4-year decline in annual Form 990-T filings. After offsetting \$8.4 billion of total gross unrelated business income (UBI) with a nearly equal amount of total deductions, the resulting unrelated business taxable income (less deficit) for 2003 was \$23.2 million. Positive unrelated business taxable income reported on Form 990-T increased by 20.5 percent between tax years 2002 and 2003, totaling \$780.1 million, and the associated unrelated business income tax (UBIT) rose 13.3 percent, to \$219.9 million. After adjusting UBIT with certain credits and other taxes, the resulting total tax reported on Form 990-T was \$220.9 million.

About 3.8 percent of the 263,353 Internal Revenue Code section 501(c)(3) nonprofit charitable organizations that filed Forms 990/990-EZ, Return of Organization Exempt From Income Tax/Short Form Return of Organization Exempt From Income Tax, also filed Forms 990-T to report UBI. Overall, nonprofit charitable organizations that filed Forms 990/990-EZ reported an aggregate \$1,072.2 billion of total revenue for tax year 2003, of which under one-half of 1 percent, or \$4.2 billion, was attributable to UBI.

The Bulletin includes historical data on income, deductions, and tax reported on returns filed by individuals, corporations, and unincorporated businesses, with selected data presented for estates. Statistics are also presented on tax collections, including excise taxes by type, and refunds for recent years.

The Statistics of Income Bulletin is available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. The annual subscription rate is \$53 (\$74.20 foreign). Single issues cost \$39 (\$48.75 foreign). For more information about these data, write the Director, Statistics of Income (SOI) Division, RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608; call the SOI Statistical Information Services office at (202) 874-0410; or fax to (202) 874-0964. To access the Winter 2006-2007 Statistics of Income Bulletin, visit the IRS Web site IRS.gov and click on "Tax Stats" under "Information About." From the Tax Stats page, select "SOI Bulletins" under "Products, Publications, and Papers."